

WEEKLY MARKETS ROUND-UP

Equities grind higher into a hawkish Fed pivot, and the tension is unsustainable

22 May 2026

Hawkish Fed minutes collide with an eighth straight weekly equity gain. SPY rose +0.9% to \$745.80, within 0.3% of its 52-week high, even as April FOMC minutes revealed growing support for laying the groundwork for a rate hike.

The Treasury curve is repricing tightening risk in earnest. The 10Y yield climbed to 4.57% (+2.5% WoW), the 2Y to 4.04% (+1.5% WoW), and the 10Y-2Y spread at 53bp signals the market is pricing a longer-hold or outright hike scenario rather than easing.

Digital assets sold off broadly as risk appetite narrowed beneath the equity surface. BTC fell -2.0% to \$75,873, ETH dropped -2.8%, and on-chain data show whale accounts are net short BTC on Hyperliquid perps, a positioning divergence from the equity tape.

	Ccy	Price	Perf. since 52 Week Low			Perf. since 52 Week High			Perf. YTD	Trend 6m	Signal OB / OS	GC View
			Date	Low	Rise %	Date	High	Decl. %				
Core anchors												
US 10Y Treasury Yield	%	4.57	Oct-25	3.97	+15.1%	May-26	4.67	-2.1%	+9.1%	up	OB	UW
S&P 500 (SPY ETF)	USD	745.8	May-25	579.1	+28.8%	May-26	748.2	-0.3%	+9.2%	up	sl. OB	N
Brent Crude †	USD	116.7	Dec-25	59.93	+94.8%	Apr-26	138.2	-15.5%	+88.3%	up	sl. OB	—
Gold (GLD ETF)	USD	413.6	Jul-25	301.0	+37.4%	Jan-26	495.9	-16.6%	+3.8%	neutral	neutral	OW
Bitcoin	USD	75,873	Feb-26	62,873	+20.7%	Oct-25	124,744	-39.2%	-14.6%	up	neutral	N
EUR/USD		1.16	May-25	1.11	+4.4%	Jan-26	1.20	-2.9%	-0.9%	neutral	neutral	N
Weekly focus												
US 2Y Treasury Yield	%	4.04	Feb-26	3.38	+19.5%	May-26	4.13	-2.2%	+16.4%	up	OB	OW
US 20Y Treasuries (TLT ETF)	USD	84.49	May-26	83.02	+1.8%	Oct-25	92.06	-8.2%	-2.9%	neutral	sl. OS	UW
Nasdaq-100 (QQQ ETF)	USD	717.7	May-25	509.2	+40.9%	May-26	719.8	-0.3%	+17.1%	up	sl. OB	N
Dow Jones (DIA ETF)	USD	506.7	May-25	416.3	+21.7%	May-26	506.7	+0.0%	+4.8%	neutral	neutral	N
Russell 2000 (IWM ETF)	USD	284.8	May-25	202.6	+40.6%	May-26	286.8	-0.7%	+14.5%	up	neutral	OW
US Dollar Index (Broad)		119.3	Jan-26	117.4	+1.6%	May-25	123.1	-3.1%	-0.3%	neutral	neutral	N
Ethereum	USD	2,070	Feb-26	1,825	+13.4%	Oct-25	4,685	-55.8%	-31.1%	neutral	neutral	UW

* Large fixed income ETFs used as proxies to assess duration trades and credit markets.

† Brent Crude: FRED primary 116.73 vs cross-check 100.6 — hard (Divergence -13.82% > 3.0x tolerance (±0.50%)).

Client view: core anchors + weekly focus. Growth Capital tracks the full GC27 cross-asset universe; displayed rows are curated for this week's thesis. GC View is a draft, subject to CIO review.

Source: Growth Capital analysis. Data as of market close, 22 May 2026.

What we're watching

Three thresholds define our near-term stance changes. First, if the 10Y yield breaches 4.67% (its 52-week high), we would further underweight equity beta and move SPY to underweight. Second, if USD/JPY breaks above 160.23, we expect Bank of Japan intervention and would tactically short the pair. Third, if BTC breaks below its 52-week low of \$62,873, we shift to underweight across digital assets. On the upside, a 2Y yield reversal below 3.80% would signal the market is re-embedding rate cuts, and we would cover our duration underweight and upgrade SPY to overweight.

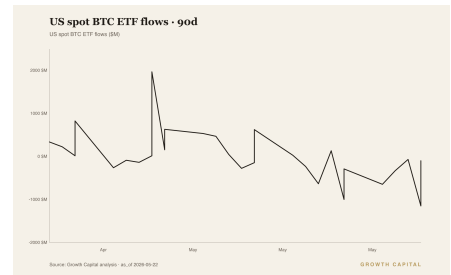
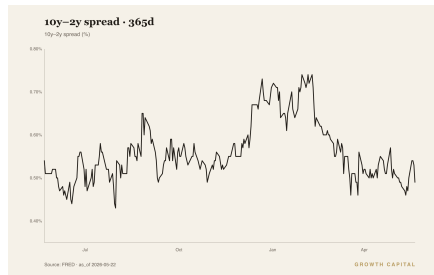
The Fed's hawkish pivot is real, and equities have not priced it

The April 28-29 FOMC minutes, released 20 May, contained a material shift: a growing number of policymakers favored laying the groundwork for a rate hike if inflation remains above target. The fed funds rate sits at 3.50-3.75%, and the market now prices roughly 40% odds of a 25bp hike by year-end. Fed Governor Waller reinforced the message in Frankfurt on 22 May, arguing that the easing bias should be removed entirely. This is not a marginal change in tone. It is a regime signal. The transmission runs through the front end of the curve: the 2Y yield at 4.04% is up +16.4% YTD, compressing the gap with the policy rate and pulling forward the probability-weighted path of tightening. For equity multiples built on an assumption of eventual easing, this repricing is corrosive. We are overweight short-duration fixed income and underweight long-duration Treasuries. We would revisit if the 2Y yield reverses below 3.80%, which would signal the market is re-embedding cuts.

Equities, on the surface, appear indifferent. SPY posted its eighth consecutive weekly gain, closing at \$745.80 (+0.9% WoW, +9.2% YTD), and DIA hit a fresh 52-week high at \$506.69 (+2.3% WoW). QQQ led at +1.2% WoW, now +17.1% YTD. The mechanism sustaining this rally is earnings momentum and AI-capex spending (Nvidia reported 85% revenue growth this week), which has compressed the equity risk premium by pushing expected cash flows higher even as the discount rate rises. But the building-block decomposition matters: if the 10Y at 4.57% continues toward its 52-week high of 4.67%, the valuation-change component turns negative and overwhelms the earnings growth leg. The S&P 500 is slightly overbought on a technical basis and sits 0.3% from its 52-week high of \$748.17. The asymmetry is poor. A market that has rallied +9.2% YTD while the 10Y yield has risen +9.1% YTD is running on a single engine (earnings growth) with no margin of safety from valuation or rates. We hold SPY at neutral. We would upgrade to overweight only on a pullback to the \$710-\$720 range, which would restore roughly 100bp of implied risk premium.

The ECB held rates unchanged on 30 April (deposit facility at 2.00%), citing upside inflation risks and downside growth risks. The policy divergence with the Fed is widening: the ECB is on hold with a dovish lean while the Fed is on hold with a hawkish lean. This divergence is the primary driver of EUR/USD weakness, which fell -1.2% WoW to 1.1627. The dollar index (DXY) firmed +1.1% WoW to 119.28, still within its neutral trend. GBP/USD dropped -2.2% WoW to 1.3332, and USD/JPY rose +1.3% to 158.69, approaching the 160.23 52-week high where intervention risk from the Bank of Japan becomes material. The broader macro picture is one of late-cycle tension: unemployment at 4.3% (April), GDP at +2.0% QoQ (Q1 advance), and industrial production remains at a level consistent with an economy that is not weakening fast enough to justify the easing the equity market had been pricing. The Fed's reaction function has shifted. Equities have not adjusted. That gap is the week's central risk.

Source: GrowthCapital analysis; FOMC minutes (April 28-29, 2026); ECB monetary policy decision (30 April 2026).



WEEKLY MARKETS ROUND-UP

Asset deep-dives

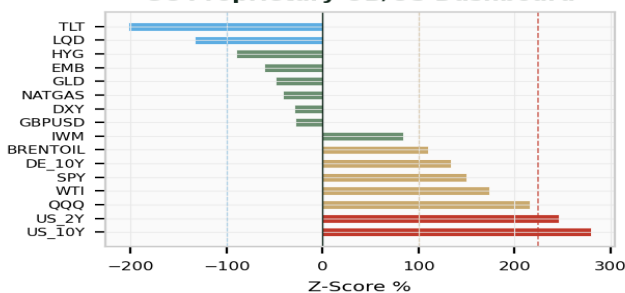
Fixed Income: The Treasury market is the clearest expression of the hawkish pivot. The 10Y yield rose to 4.57% (+2.5% WoW), now +9.1% YTD and in overbought territory, while the 2Y climbed to 4.04% (+1.5% WoW, +16.4% YTD). The 10Y at 4.57% versus the 2Y at 4.04% produces a 53bp positive slope, consistent with the yield curve data reading of 49bp on 21 May. This steepening reflects a market that expects the Fed to hold or hike at the front end while term premium expands at the long end on fiscal supply concerns. TLT fell -2.9% YTD to \$84.49, near its 52-week low of \$83.02. We are underweight duration. The causal chain: hawkish FOMC minutes shift rate expectations from cuts to a possible hike, the 2Y reprices higher, long-end term premium expands on Treasury supply, and TLT underperforms. LQD at \$108.25 (-1.7% YTD) and HYG at \$79.88 (-1.0% YTD) show credit spreads are not yet stressed, but the direction is unfavorable. EM sovereigns via EMB at \$95.11 (-1.2% YTD) are caught between dollar strength and still-positive carry. We hold EMB at neutral. The falsifier for our duration underweight: if the 10Y breaks below 4.30% on a dovish data surprise (payrolls miss, CPI deceleration), we would cover the underweight and move to neutral.

Equities: SPY at \$745.80 is 0.3% from its 52-week high of \$748.17, slightly overbought, and running on narrow fuel. QQQ at \$717.69 (+1.2% WoW, +17.1% YTD) is the momentum leader, driven by AI-capex narratives, but Nvidia's 85% revenue beat drew a muted stock reaction, a classic late-momentum signal where good news is already in the price. DIA hit a 52-week high at \$506.69 (+2.3% WoW) on rotation into industrials and value names. IWM at \$284.83 (+2.6% WoW, +14.5% YTD) is the week's standout, with small caps catching a bid from domestic earnings exposure and reduced rate-cut dependency. FEZ gained +3.5% WoW to \$67.22, its best week in several sessions, supported by the ECB's dovish hold. EWJ rose +0.7% WoW to \$91.67 but faces headwinds from yen weakness (USD/JPY at 158.69). Our read: the breadth improvement (DIA, IWM outperforming QQQ) is constructive for the medium term, but the macro backdrop of rising yields and a hawkish Fed creates a ceiling. We hold SPY neutral and are overweight IWM on the valuation gap versus large caps.

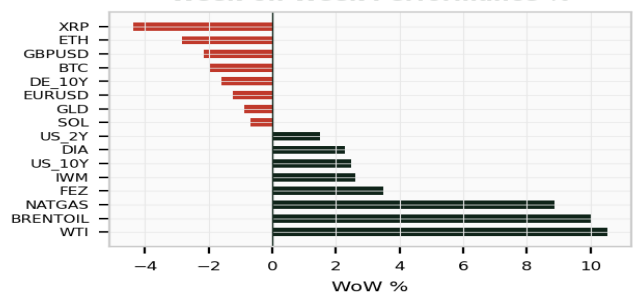
Forex: The dollar firmed on the hawkish Fed pivot. DXY rose +1.1% WoW to 119.28, still neutral in trend and sitting between its 52-week low of 117.44 and high of 123.07. The mechanism is rate-differential driven: with the Fed signaling a possible hike and the ECB on hold at 2.00%, the US-Europe rate gap widens, pulling capital toward dollar assets. EUR/USD fell -1.2% WoW to 1.1627. GBP/USD dropped -2.2% to 1.3332, the sharpest G10 move of the week, on softer UK data expectations. USD/JPY at 158.69 (+1.3% WoW) is approaching the 160.23 52-week high. The Bank of Japan's intervention threshold is the key risk: a break above 160 could trigger verbal or actual intervention, creating a sharp reversal. USD/CHF rose +1.2% to 0.7868. We hold EUR/USD neutral, expecting range-bound trading between 1.14 and 1.18 until either the Fed or ECB delivers a decisive policy move. The falsifier: an ECB rate cut in June or July would push EUR/USD toward 1.14 and shift our view to underweight.

Digital Assets: Digital assets diverged sharply from equities this week. BTC fell -2.0% to \$75,873, ETH dropped -2.8% to \$2,069.50, SOL declined -0.7% to \$84.55, and XRP lost -4.4% to \$1.34. BNB was flat at \$650.08 (+0.1% WoW). BTC dominance held at 57.4%, and total crypto market cap fell to \$2.66T with a -1.6% 24-hour decline. The sell-off is consistent with a risk-premium repricing: as the Fed signals tightening, the opportunity cost of holding zero-yield assets rises, and crypto, which trades as a high-beta liquidity proxy, reprices first. BTC is -14.6% YTD, ETH -31.1% YTD, SOL -33.4% YTD. The YTD underperformance versus SPY (+9.2%) is the widest divergence since the 2022 cycle. We hold BTC at neutral, viewing the \$62,873-\$75,873 range as a consolidation zone. A break below the 52-week low of \$62,873 would shift us to underweight.

GC Proprietary OB/OS Dashboard



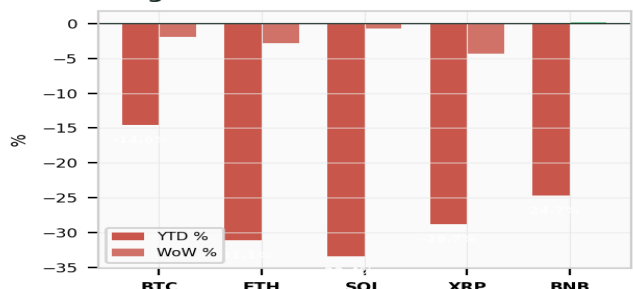
Week-on-Week Performance %



YTD Performance by Asset



Digital Assets: YTD vs Week-on-Week



On-chain pulse

On-chain data from Hyperliquid perps reveal a clear divergence between smart-money cohorts in BTC positioning. Smart traders hold a modest net long, while whale accounts are net short, with larger, more informed capital hedging or outright betting against BTC at \$75,873. Public figures lean net long. The whale-short positioning is the signal that matters: even as the funding rate remains marginally positive at +0.000156%/hr (1.37% annualized), the largest accounts are positioned defensively. This neutral-to-positive funding alongside whale shorts suggests the selling pressure is coming through spot and OTC channels rather than perps liquidation cascades.

BTC perps saw heavy 7-day volume with sell-side flow exceeding buy-side, producing a meaningful net negative flow. Open interest is substantial but not extreme. Selini Capital has been actively shorting with sizable limit orders at the \$77,230-\$77,300 range, running leveraged short positions at 20x. This is tactical, not structural, but it confirms that sophisticated flow is leaning bearish in the near term.

ETH saw the heaviest net outflows alongside BTC, consistent with its -2.8% WoW decline to \$2,069.50. The broader crypto market cap fell to \$2.66T with 24-hour volume at \$115B. BTC dominance at 57.4% continues to grind higher, a pattern typical of risk-off regimes within crypto where capital consolidates into the largest, most liquid asset.

For SOL (-0.7% WoW to \$84.55), XRP (-4.4% to \$1.34), and BNB (+0.1% to \$650.08), the on-chain picture is one of low conviction. XRP's -4.4% weekly decline with a downtrend classification and weakening flows supports our underweight. BNB's flatness reflects exchange-token mechanics (fee burns, staking) that provide a floor but no growth catalyst. The aggregate read: smart money is defensive, whale positioning is net short BTC, and the spot-vs-perps divergence (negative spot flow, neutral funding) points to continued distribution rather than accumulation. We maintain BTC at neutral and ETH at underweight.

Source: GrowthCapital analysis; Nansen/Hyperliquid on-chain data.

Algorithm notes & methodology

Notes:

1. Trend (6 months): Growth Capital proprietary algorithm weighing the slope of the 6-month trend vs the 3-month trend, factorised by the Fibonacci retracement ratio (0.618). Values normalised using average price over each period. Combined slope above +0.08% = 'up', below -0.08% = 'down', otherwise 'neutral'.
2. OB / OS measures: Growth Capital proprietary algorithm comparing the difference between the 8-day and 100-day moving averages combined with the 3-day vs 15-day, normalised by the 1-year standard deviation (~260 trading days). Values above 225% = 'OB', above 100% = 'slightly OB'; below -225% = 'OS', below -100% = 'slightly OS'; otherwise 'neutral'.

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Growth Capital

growthcapital.ae | team@growthcapital.ae

LinkedIn: /company/growthcapital-ae

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